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Agenda item 18 (b)

Macroeconomic policy questions: international financial system and development

Report of the Second Committee*

Rapporteur: Ms. Anneli **Lepp** (Estonia)

I. Introduction

1. The Second Committee held a substantive debate on agenda item 18 (see A/73/536, para. 2). Action on sub-item (b) was taken at the 23rd and 26th meetings, on 8 and 30 November 2018. An account of the Committee's consideration of the sub-item is contained in the relevant summary records.[1]

II. Consideration of draft resolutions A/C.2/73/L.12 and A/C.2/73/L.12/Rev.1

2. At the 23rd meeting, on 8 November, the representative of Egypt, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "International financial system and development" (A/C.2/73/L.12).

3. At its 26th meeting, on 30 November, the Committee had before it a revised draft resolution (A/C.2/73/L.12/Rev.1), submitted by the sponsors of draft resolution A/C.2/73/L.12.

4. At the same meeting, the Committee was informed that draft resolution A/C.2/73/L.12/Rev.1 had no programme budget implications.

5. Also at the same meeting, the Committee adopted draft resolution A/C.2/73/L.12/Rev.1 by a recorded vote of 176 to 1 (see para. 7). The voting was as follows:

* The report of the Committee on this item is being issued in five parts, under the symbols A/73/536, A/73/536/Add.1, A/73/536/Add.2, A/73/536/Add.3 and A/73/536/Add.4.

[1] A/C.2/73/SR.23 and A/C.2/73/SR.26.

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In favour:

Afghanistan, Albania, Algeria, Andorra, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Belize, Benin, Bhutan, Bolivia (Plurinational State of), Bosnia and Herzegovina, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Cabo Verde, Cambodia, Cameroon, Canada, Central African Republic, Chile, China, Colombia, Congo, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czechia, Democratic People's Republic of Korea, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Eritrea, Estonia, Ethiopia, Fiji, Finland, France, Gabon, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, Hungary, Iceland, India, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liberia, Libya, Liechtenstein, Lithuania, Luxembourg, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Sao Tome and Principe, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Sudan, Suriname, Sweden, Switzerland, Syrian Arab Republic, Tajikistan, Thailand, the former Yugoslav Republic of Macedonia, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, Tuvalu, Uganda, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, Uruguay, Uzbekistan, Vanuatu, Venezuela (Bolivarian Republic of), Viet Nam, Yemen, Zambia, Zimbabwe.

Against:

United States of America.

Abstentions:

None.

6. Also at the 26th meeting, after the vote, statements in explanation of vote were made by the representatives of Austria (on behalf of the States members of the European Union and Albania, Bosnia and Herzegovina, Georgia, Montenegro, the Republic of Moldova, Serbia, the former Yugoslav Republic of Macedonia and Ukraine) and the United States of America.

III. Recommendation of the Second Committee

7. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008, 64/190 of 21 December 2009, 65/143 of 20 December 2010, 66/187 of 22 December 2011, 67/197 of 21 December 2012, 68/201 of 20 December 2013, 69/206 of 19 December 2014, 70/188 of 22 December 2015, 71/215 of 21 December 2016 and 72/203 of 20 December 2017,

Reaffirming its resolution 70/1 of 25 September 2015, entitled "Transforming our world: the 2030 Agenda for Sustainable Development", in which it adopted a comprehensive, far-reaching and people-centred set of universal and transformative Sustainable Development Goals and targets, its commitment to working tirelessly for the full implementation of the Agenda by 2030, its recognition that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development, its commitment to achieving sustainable development in its three dimensions — economic, social and environmental — in a balanced and integrated manner, and to building upon the achievements of the Millennium Development Goals and seeking to address their unfinished business,

Reaffirming also its resolution 69/313 of 27 July 2015 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which is an integral part of the 2030 Agenda for Sustainable Development, supports and complements it, helps to contextualize its means of implementation targets with concrete policies and actions, and reaffirms the strong political commitment to address the challenge of financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity,

Recalling the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,[1]

Recalling also the United Nations Millennium Declaration,[2] its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[3] the Rio Declaration on

[1] Resolution 63/239, annex.

[2] Resolution 55/2.

[3] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

Environment and Development,[4] Agenda 21,[5] the Programme for the Further Implementation of Agenda 21[6] and the Plan of Implementation of the World Summit on Sustainable Development,[7]

Recalling further the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[8] recognizing the work undertaken by the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference, and taking note of its progress report,[9]

Recalling the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012, and its outcome document, entitled "The future we want",[10]

Appreciating the fact that the Summit of the Group of 20, held in Hangzhou, China, on 4 and 5 September 2016, the first Summit of the Group of 20 to take place in a developing country following the adoption of the 2030 Agenda for Sustainable Development, with the broad participation of developing countries, including the Chair of the Group of 77, endorsed the Group of 20 Action Plan on the 2030 Agenda for Sustainable Development as an important contribution to the global implementation of the 2030 Agenda, recalling that the Summit of the Group of 20, held in Hamburg, Germany, on 7 and 8 July 2017, endorsed the Hamburg Update: Taking Forward the Group of 20 Action Plan on the 2030 Agenda for Sustainable Development, and looking forward to their implementation, while urging the Group of 20 to continue to engage in an inclusive and transparent manner with other States Members of the United Nations in its work in order to ensure that the initiatives of the Group of 20 complement or strengthen the United Nations system,

Noting the holding of the twenty-second Saint Petersburg International Economic Forum in Saint Petersburg, Russian Federation, from 24 to 26 May 2018,

Recognizing that the remaining effects of the world financial and economic crisis have the potential to undermine debt sustainability and progress towards achieving the internationally agreed development goals, especially in developing countries, and stressing the need to avoid the recurrence of such crises, including by addressing the lessons learned, improving confidence, sustaining economic growth and promoting full and productive employment and decent work for all women and men, including young people, older persons and people with disabilities, and by continuing to promote global economic stability and the underlying institutional reforms required to achieve the Sustainable Development Goals,

Expressing concern about the adverse impact of the continuing fragility of the global economy, the slow pace of the restoration of global growth and trade, increasing protectionism and inward-looking policies, with increasing systemic risks that threaten financial stability, including in developing countries,

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[4] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3–14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

[5] Ibid., annex II.

[6] Resolution S-19/2, annex.

[7] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August–4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[8] Resolution 63/303, annex.

[9] A/64/884.

[10] Resolution 66/288, annex.

Reaffirming the purposes of the United Nations, as set forth in its Charter, including to achieve international cooperation in solving international problems of an economic, social, cultural or humanitarian character and to be a centre for harmonizing the actions of nations in the attainment of common ends, and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Recognizing the contribution of the original and reconvened Panel of Eminent Persons of the United Nations Conference on Trade and Development in the context of the United Nations sustainable development pillar and United Nations reform, as well as the contribution of the United Nations system to sustainable finance and investments in the Sustainable Development Goals, and recognizing also the contribution of the independent team of advisers to the Economic and Social Council dialogue on the longer-term positioning of the United Nations development system in the context of the implementation of the 2030 Agenda for Sustainable Development,

Emphasizing that the international financial system should bolster sustainable, inclusive and sustained economic growth, sustainable development and job creation, promote financial inclusion and support efforts to eradicate poverty in all its forms and dimensions, including extreme poverty, and hunger, in particular in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

Taking note of the work of the United Nations in the area of external debt sustainability and development,

Recognizing the importance of scaling up international tax cooperation, and in this regard welcoming the work of the Committee of Experts on International Cooperation in Tax Matters and the support to tax authorities of developing countries through the Addis Tax Initiative, which contribute to the mobilization of domestic resources for the Sustainable Development Goals and the curbing of illicit financial flows and tax evasion,

Recognizing also the need to reduce mechanistic reliance on credit-rating agency assessments, including in regulations, and to promote increased competition as well as measures to avoid conflict of interest in the provision of credit ratings in order to improve the quality of ratings, acknowledging the efforts of the Financial Stability Board and others in this area, expressing support for establishing greater transparency requirements for evaluation standards of credit-rating agencies, and affirming the commitment to continue ongoing work on these issues,

Acknowledging the 2016 implementation of quota and governance reforms at the International Monetary Fund and the 2018 agreement on shareholding reforms at the World Bank Group, including a general capital increase, a selective capital increase and a financial sustainability framework, and acknowledging also that, in October 2016, the Chinese renminbi officially became the fifth currency in the special drawing rights basket, pursuant to the decision taken by the Executive Board of the Fund in November 2015,

1. *Takes note* of the report of the Secretary-General;[11]

2. *Recognizes* the need to continue and intensify efforts to enhance the coherence and consistency of the international monetary, financial and trading systems, reiterates the importance of ensuring their openness, fairness and inclusiveness in order to complement national efforts to ensure sustainable development, including strong, sustained, balanced, inclusive and equitable economic growth, and that all men and women, in particular the poor and vulnerable, have equal rights to economic

[11] A/73/280.

resources and appropriate financial services, and the achievement of the internationally agreed development goals, including the 2030 Agenda for Sustainable Development,[12] and encourages the international financial institutions to align their programmes and policies with the 2030 Agenda in accordance with their mandates;

3. *Notes* that the United Nations, on the basis of its universal membership and legitimacy, provides a unique and key forum for discussing international economic issues and their impact on development, and reaffirms that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture, while recognizing that the United Nations and the international financial institutions have complementary mandates that make the coordination of their actions crucial;

4. *Recognizes* the important efforts undertaken nationally, regionally and internationally to respond to the challenges posed by the latest global financial and economic crisis, and also recognizes that more needs to be done in order to promote the economic recovery, to manage the consequences of volatility in global financial and commodity markets, to tackle high unemployment and indebtedness in several countries, as well as widespread fiscal strains, to reinforce the banking sector, including by increasing its transparency and accountability, to address systemic fragilities and imbalances, to reform and strengthen the international financial system and to continue and to enhance the coordination of financial and economic policies at the international level;

5. *Stresses* the critical importance of a stable, inclusive and enabling global economic environment for the advancement of sustainable development, for the reliable and effective financing of development and for the implementation of the 2030 Agenda, mobilizing public and private, as well as domestic and international resources;

6. *Reiterates* that debtors and creditors must work together in a transparent manner to prevent and resolve unsustainable debt situations and that maintaining sustainable debt levels is the responsibility of the borrowing countries, acknowledging, however, that lenders also have a responsibility to lend in a way that does not undermine a country's debt sustainability, and in this regard takes note of the United Nations Conference on Trade and Development principles on responsible sovereign lending and borrowing and recognizes the applicable requirements of the International Monetary Fund debt limits policy and/or the World Bank non-concessional borrowing policy, as well as the safeguards of the Development Assistance Committee of the Organization for Economic Cooperation and Development in its statistical system to enhance the debt sustainability of recipient countries, and will work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives;

7. *Invites*, in this regard, the President of the General Assembly and the Secretary-General to give appropriate consideration to the central role of maintaining and facilitating the financial and macroeconomic stability of developing countries, including debt sustainability, and of supporting an appropriately enabling domestic and international economic, financial and regulatory environment for the means of implementation of the 2030 Agenda for Sustainable Development, including financial inclusion, and in this regard invites all major institutional stakeholders, including the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, to support these efforts, in accordance with their respective mandates;

[12] Resolution 70/1.

8. *Encourages*, in this regard, the Economic and Social Council to consider, at its annual forum on financing for development follow-up, a discussion and analysis of systemic issues and challenges, taking into account the roles of the international financial institutions, including the International Monetary Fund, and of the United Nations Conference on Trade and Development, in accordance with their respective mandates, pursuant to the relevant resolutions on this matter, including its resolution 69/313 on the Addis Ababa Action Agenda of the Third International Conference on Financing for Development and the mandate of the annual forum on financing for development follow-up set out therein;

9. *Resolves* to strengthen the coherence and consistency of multilateral financial, investment, trade and development policy and environment institutions and platforms and to increase cooperation between major international institutions, while respecting mandates and governance structures, and commits itself to taking better advantage of relevant United Nations forums for promoting universal and holistic coherence and international commitments to sustainable development, building on the vision of the Monterrey Consensus, with a view to supporting the implementation of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development;

10. *Recalls* that countries must have the flexibility necessary to implement countercyclical measures and pursue tailored and targeted responses to the various types of shocks, including economic and financial crises, and calls for conditionalities to be streamlined to ensure that they are timely, tailored and targeted and that they support developing countries in the face of financial, economic and development challenges;

11. *Notes*, in this regard, the increase in resources and the improvement of the lending framework of the International Monetary Fund through, inter alia, streamlined conditions and flexible instruments, such as the precautionary and liquidity line, the flexible credit line and the rapid financing instrument, and the refinement of the lending framework for low-income countries, while also noting that new and ongoing programmes should not contain unwarranted procyclical conditionalities;

12. *Invites* the multilateral development banks and other international development banks to continue to provide both concessional and non-concessional, stable, long-term development finance by leveraging contributions and capital and by mobilizing resources for developing countries from multiple sources, for example from capital markets, and stresses that development banks should make optimal use of their resources and balance sheets, consistent with maintaining their financial integrity, and should update and develop their policies in support of the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, as appropriate;

13. *Welcomes*, in this regard, the ongoing work of the New Development Bank and the Asian Infrastructure Investment Bank in the global development finance architecture, and encourages enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

14. *Encourages*, in this regard, the multilateral development banks to continue to move forward on flexible, concessional, fast-disbursing and front-loaded assistance that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Sustainable Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

15. *Also encourages* multilateral development banks, within their respective mandates, to continue to expand technical assistance, disseminate and share their

knowledge and best practices and enhance the multiplier effect of their financing by leveraging more resources from more sources, including by mobilizing private investment, to provide innovative and integral solutions to multidimensional development problems, in particular in developing and emerging economies;

16. *Emphasizes* the relevance of inclusion in the international financial system at all levels and the importance of considering financial inclusion as a policy objective in financial regulation, in accordance with national priorities and legislation;

17. *Recognizes* that it is important that the International Monetary Fund continue to be adequately resourced, and supports and reiterates its commitment to further governance reform at both the Fund and the World Bank to adapt to changes in the global economy;

18. *Calls for* the completion of the fifteenth general review of quotas of the International Monetary Fund, including a new quota formula, at the meetings of the Fund and the World Bank Group to be held in the spring of 2019, and no later than at the annual meetings of the Fund and the Group in 2019, emphasizes that the new quota formula, as a basis for a realignment of quota shares, will result in increased shares for dynamic economies in line with their relative positions in the world economy and hence likely in the share of emerging market and developing countries as a whole, while protecting the voice and representation of the poorest members, and supports the continued examination of the broader use of special drawing rights as a way to enhance the resilience of the international monetary system;

19. *Acknowledges* the importance of the international financial institutions supporting, in line with their mandates, the policy space of each country, while remaining consistent with relevant international rules and commitments, in particular developing countries, and recommits to the broadening and strengthening of the voice and participation of developing countries, including African countries, the least developed countries, landlocked developing countries, small island developing States, middle-income countries and countries in conflict and post-conflict situations, in international economic decision-making, norm-setting and global economic governance;

20. *Reaffirms* that cohesive, nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of efforts, reiterates that each country has primary responsibility for its own economic and social development and that the role of national policies and development strategies cannot be overemphasized, expresses respect for each country's policy space and leadership to implement policies for the eradication of poverty in all its forms and dimensions and for sustainable development, while remaining consistent with relevant international rules and commitments, at the same time recognizes that national development efforts need to be supported by an enabling international economic environment, including coherent and mutually supporting world trade, monetary and financial systems and strengthened and enhanced global economic governance, and that processes to develop and facilitate the availability of appropriate knowledge and technologies globally, as well as capacity-building, are also critical, and commits to pursuing policy coherence and an enabling environment for sustainable development at all levels and by all actors, and to reinvigorating the Global Partnership for Sustainable Development;

21. *Recommits* to a redoubling of its efforts to substantially reduce illicit financial flows by 2030, with a view to eventually eliminating them, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation;

22. *Recognizes* the role of special drawing rights as an international reserve asset, acknowledges that special drawing rights allocations helped to supplement international reserves in response to the world financial and economic crisis, thus contributing to the stability of the international financial system and global economic resilience, and supports the continued examination of the broader use of special drawing rights as a way to enhance the resilience of the international monetary system, including with reference to their potential role in the international reserve system;

23. *Takes note* of the work by the Financial Stability Board on financial market reform, commits to sustaining or strengthening frameworks for macroprudential regulation and countercyclical buffers, reaffirms the commitment to hasten completion of the reform agenda on financial market regulation, including assessing and if necessary reducing the systemic risks associated with non-bank financial intermediation, markets for derivatives, securities lending and repurchase agreements, and also reaffirms the commitment to addressing the risk created by "too-big-to-fail" financial institutions and to addressing cross-border elements in effective resolution of troubled, systemically important financial institutions;

24. *Reiterates* that effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts, stresses the need to continue to strengthen surveillance of the financial policies of countries, and in this regard notes the current efforts to update the surveillance approach of the International Monetary Fund to better integrate bilateral and multilateral surveillance, along with cross-border and cross-sectoral linkages with macroeconomic and macroprudential policies, while paying closer attention to the spillover effects from national economic and financial policies onto the global economy;

25. *Also reiterates* the need to resolve to reduce mechanistic reliance on credit-rating agency assessments, including in regulations and to promote increased competition as well as measures to avoid conflict of interest in the provision of credit ratings;

26. *Invites* the international financial and banking institutions to continue to enhance the transparency and analytical rigour of risk-rating mechanisms, noting that sovereign risk assessments should maximize the use of objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant institutions, including the United Nations Conference on Trade and Development, to continue their work on the issue, including the potential impact of the role played by private credit rating agencies on the development prospects of developing countries, in accordance with their mandates;

27. *Welcomes* efforts by new development banks to develop safeguard systems in open consultation with stakeholders on the basis of established international standards, and encourages all development banks to establish or maintain social and environmental safeguard systems, including on human rights, gender equality and women's empowerment, that are transparent, effective, efficient and time-sensitive;

28. *Recognizes* the need for the international financial institutions, as appropriate, to promote gender mainstreaming in their policies and programmes, including macroeconomic, job creation and structural reform policies and programmes, in accordance with relevant national priorities and strategies;

29. *Urges* multilateral donors, and invites international financial institutions and regional development banks, within their respective mandates, to review and implement policies that support national efforts to ensure that a higher proportion of resources reaches women and girls, in particular in rural and remote areas;

30. *Recommits* itself to enabling women's full and equal participation in the economy and their equal access to decision-making processes and leadership;

31. *Reiterates* that States are strongly urged to refrain from promulgating and applying any unilateral economic, financial or trade measures not in accordance with international law and the Charter of the United Nations that impede the full achievement of economic and social development, particularly in developing countries;

32. *Requests*, in this regard, the Secretary-General to submit to the General Assembly at its seventy-fourth session a report on the implementation of the present resolution with input from the major institutional stakeholders, including the International Monetary Fund, the World Bank and the United Nations Conference on Trade and Development, in accordance with their respective mandates;

33. *Decides* to include in the provisional agenda of its seventy-fourth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development", unless otherwise agreed.